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Is There a Co-op in Your Future?

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FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE

Farmer Cooperative Service provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Service (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Service publishes research and educational materials and issues *News for Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.

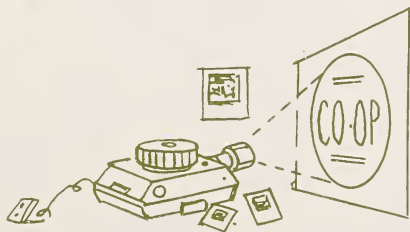


This publication is one of a series designed to provide basic cooperative information.

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Teachers and other leaders can easily convert the material in this booklet to a slide presentation. Illustrations are designed with this purpose in mind. Slides are not available from Farmer Cooperative Service.



IS THERE A CO-OP IN YOUR FUTURE?



C. H. Kirkman, Jr., Farmer Cooperative Service

If you hope for a cooperative in your future, what steps do you take to start one?



Probably the first step will be to bring together others in the community who would realize benefits and to determine their interest in starting a co-op.



This informal group of neighbors will need to decide just what a cooperative can do for them.

Sell what they have grown or produced.

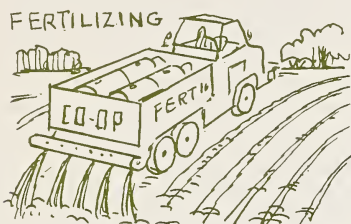


Or obtain production supplies.



Or get specialized services like spreading fertilizer, spraying or harvesting crops, cutting timber, or irrigating orchards.

FERTILIZING



CUTTING



IRRIGATING

HARVESTING



Or gain a wide range of services, like food, health, credit, recreation, housing, or transportation.

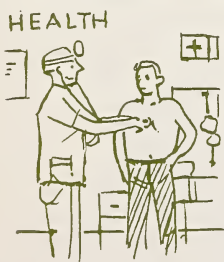
FOOD-



CRAFTS



HEALTH



TRANSPORTATION



HOUSING



RECREATION

So the organizers will want to pinpoint just what job they want their co-op to do.



FIRST MEETING OF POTENTIAL MEMBERS

The first formal step is to call a meeting of people with a common problem. Choose a convenient place and time to talk about starting a co-op.

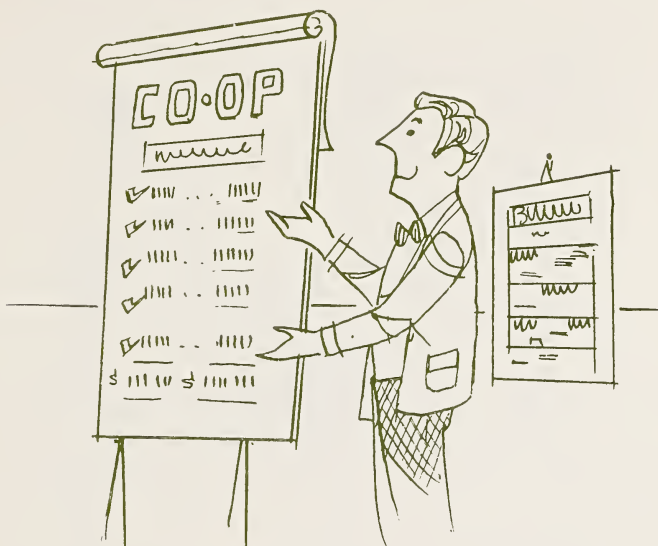


To get ready for the meeting:

Select an adviser, such as your county extension agent, State cooperative council secretary, or a co-op manager -- someone who knows about forming cooperatives.



Present facts and figures as the first and main item on the program.



Encourage people to talk and ask questions.



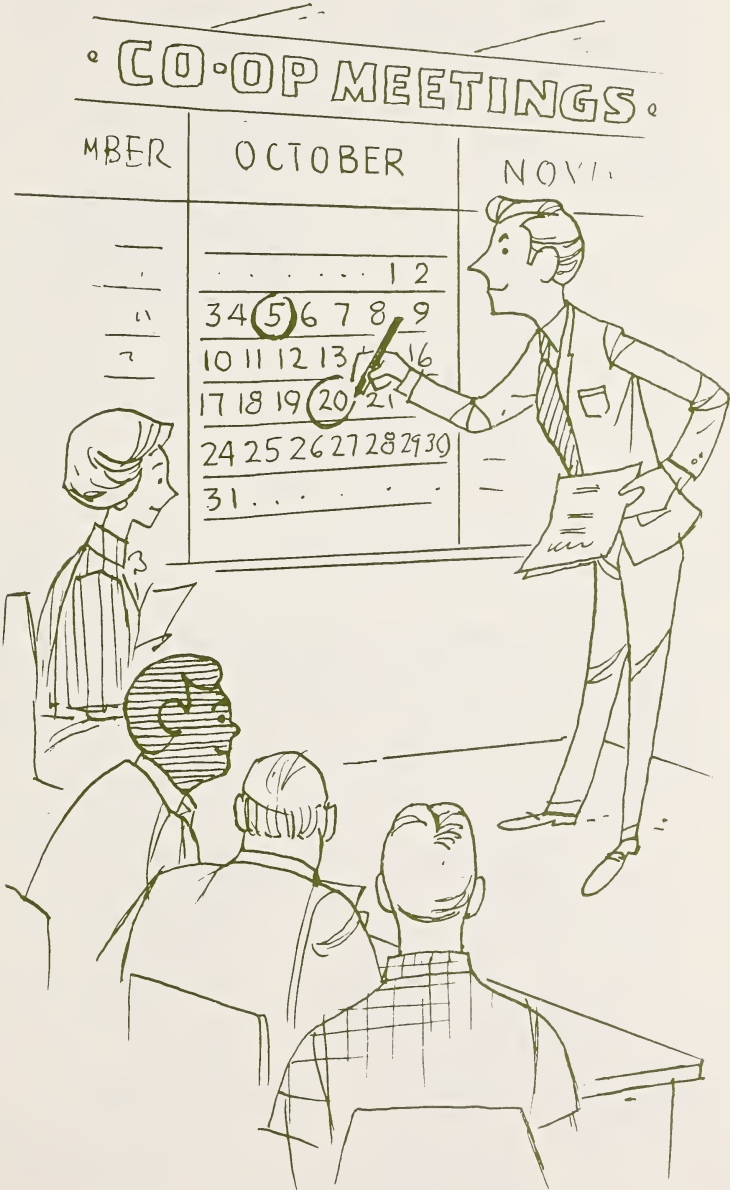
Find out if enough people are interested to go ahead with a more detailed study of the proposed cooperative.



Form a committee of three to five people to survey all aspects of the proposed cooperative with the adviser's help.



Set target dates for the survey committee and for reporting back to the group at another meeting.



WORK OF THE SURVEY COMMITTEE

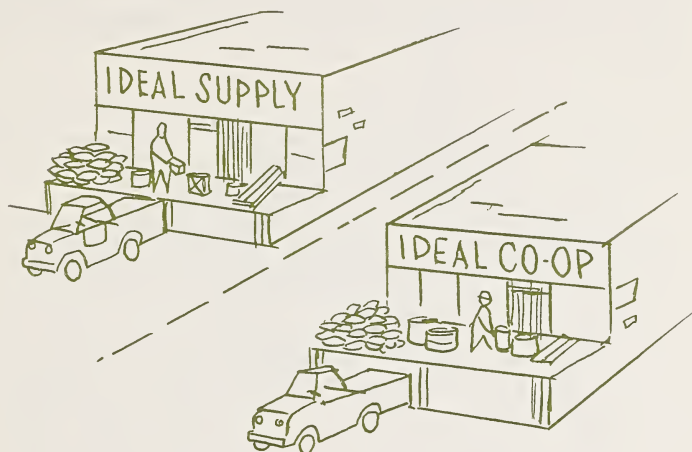
The survey committee involves the people necessary to get the facts needed to start the co-op. These include a lawyer who knows about cooperatives, your county extension agent, State university, State cooperative council secretary, a regional cooperative, banks for cooperatives and --



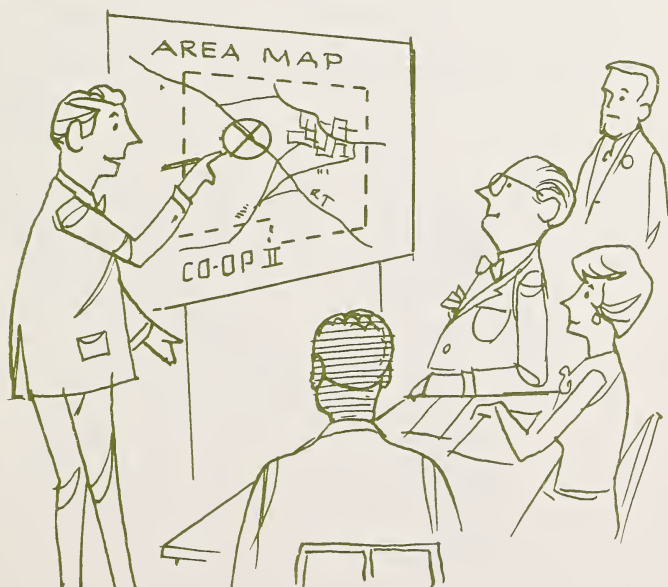
To guide and help both new and on-going co-ops, you can consult Farmer Cooperative Service, U.S. Department of Agriculture, for technical help from its trained staff and its publications.



Decide if a co-op is really needed to set up or improve services and reduce costs --- or would it duplicate present efforts?



Identify the area where the cooperative is needed. Set boundaries.



Use professional help to get up a questionnaire for people who came to the first meeting and anyone else who is interested. Use this trained help to estimate the kind and amount of business potential members will do with the cooperative to determine if the cooperative will work.



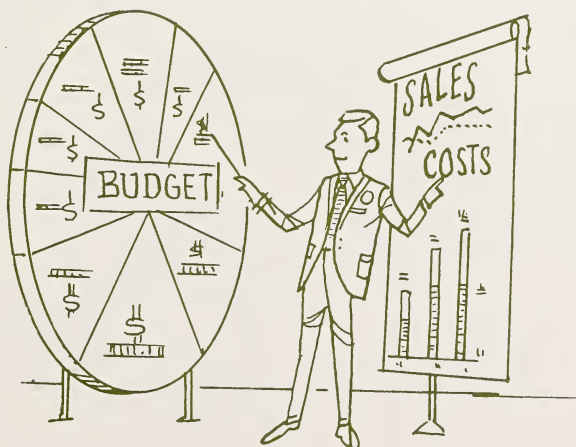
Look for a capable person to run the business.



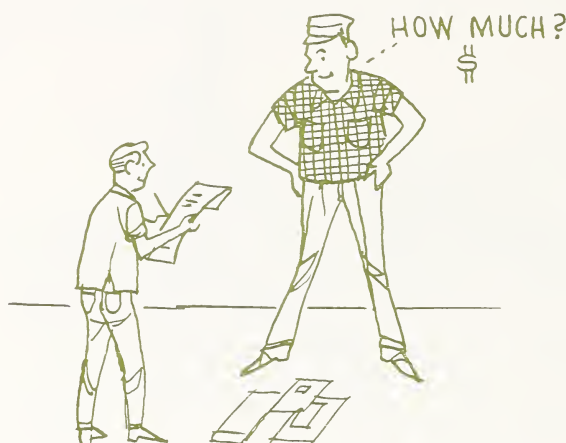
Locate land, buildings, or equipment needed for the cooperative planned, and determine cost or rent.



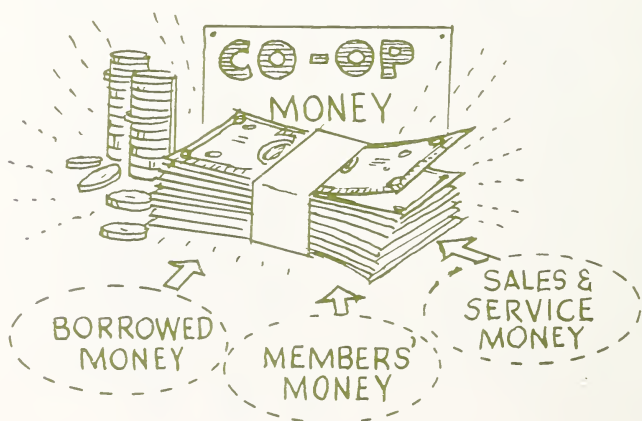
Develop an operating budget based on facts and figures.



Prepare a detailed answer to potential members' questions --- "How much money must I put up to get the cooperative started?"



Realize that the co-op's cash is (1) members' money, plus (2) borrowed money, and (3) money coming from marketing products, selling supplies, or providing services.



Decide if potential members will invest enough to make them want to protect their money and enough to borrow additional money.



Explore loan possibilities from lenders such as a commercial bank, a bank for cooperatives, or in certain cases Farmers Home Administration, and others.



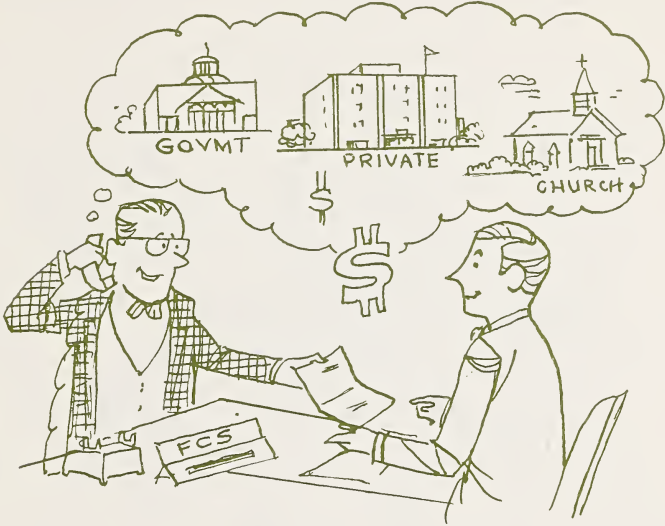
Talk with the Bank for Cooperatives serving the district where the cooperative is to be located.



Ask at your county Farmers Home Administration office about loans for cooperatives and for members wanting to buy stock in cooperatives.



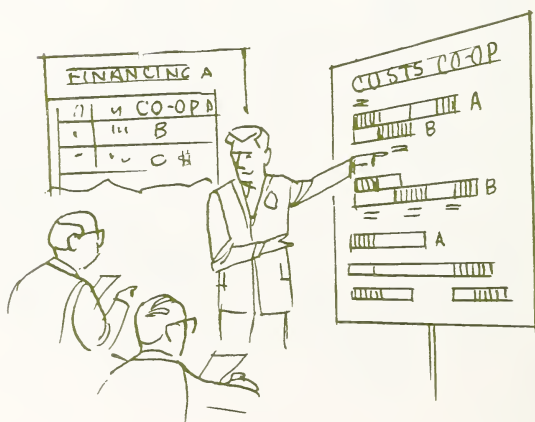
Write or call Farmer Cooperative Service to find out what other sources offer co-ops financial help, such as other government agencies, private foundations, and churches.



Have your lawyer check State laws about incorporating and forms needed to do so.

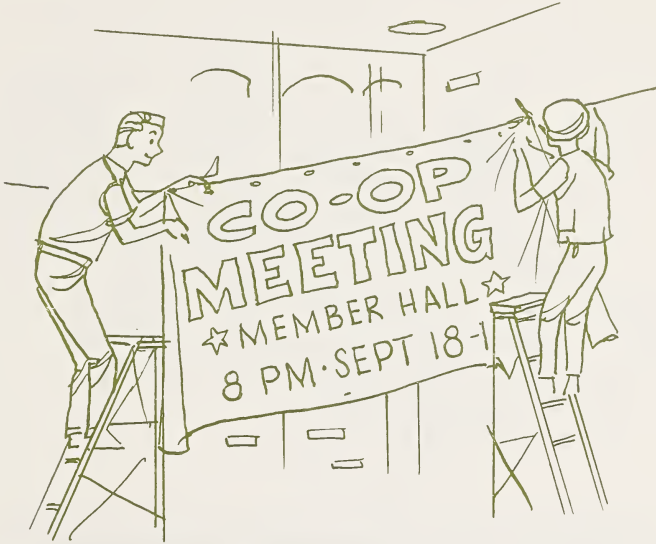


Gather materials. Tell exactly what the co-op will do, how it will operate, what it will cost, how it will be financed -- and now it's time for the second potential members' meeting.



SECOND MEETING OF POTENTIAL MEMBERS

Organize the second meeting of potential members the same way as the first. Announce a convenient place and time.



Choose a capable chairman.



Discuss the survey committee's report point by point
--- the number and location of potential members, kind
of business, and potential volume.



Provide enough time to discuss and express opinions.
Call another session if necessary.



Take a vote -- find out if people are willing to work and invest their money in a business of their own --- enough to justify taking further steps, and if yes



Select an organizing committee. It may contain some or all of the survey committee to carry out the wishes of the prospective members.



Vote on any final changes. Accept the majority decision.

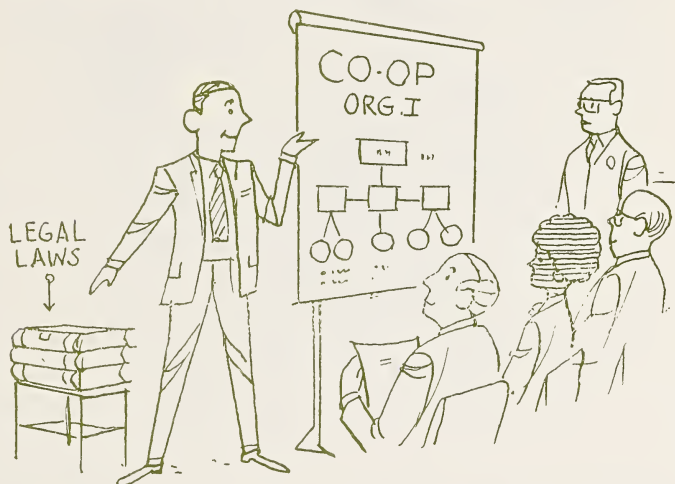


Remind prospective members of their share of the costs of organizing the cooperative.

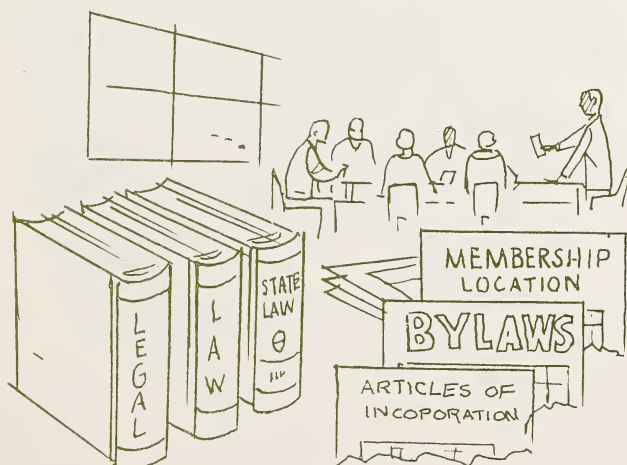


WORK OF ORGANIZING COMMITTEE

The organizing committee follows the organization guidelines established in the second potential membership meeting with the help of your lawyer.



Draft legal organizational papers such as articles of incorporation, bylaws, membership application, membership cash receipts, notice of meeting, waiver of notice, marketing agreement if needed, and others.



Sign up potential members on potential membership application.



Collect potential members' money for membership.
Give a numbered and signed receipt as a record.



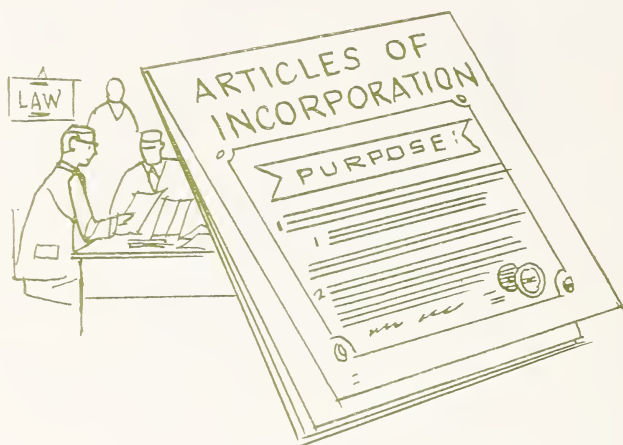
Deposit potential members' money in local bank so it can all be accounted for upon organization.



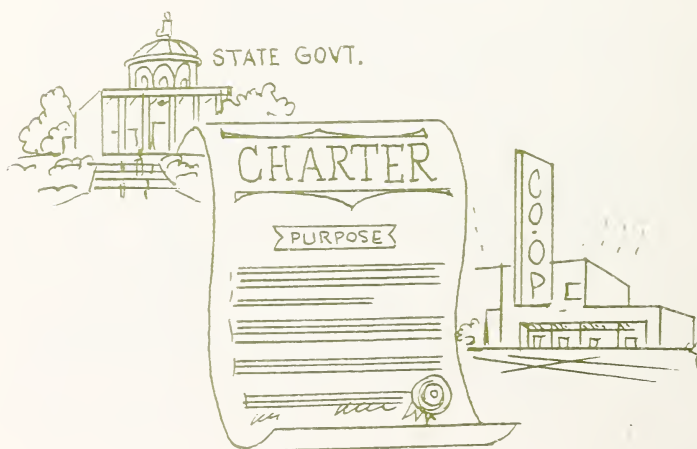
Look further into loan possibilities. Recommend the one to use when the cooperative is in legal existence.



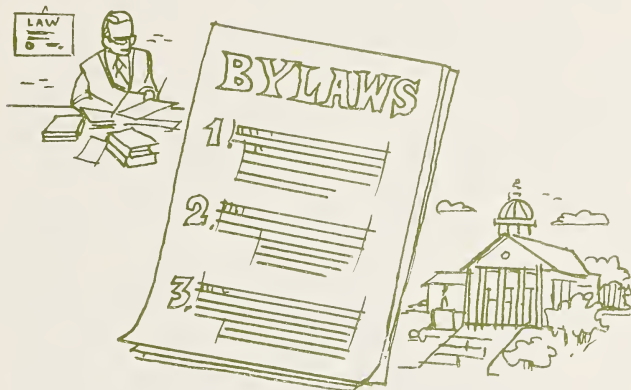
Arrange with the lawyer to prepare articles of incorporation under suitable State laws stating the kind and scope of business the cooperative will do.



File the articles of incorporation with a recording fee with the State Government to get a charter. When the organizing group is granted a charter, it is ready to start business.



Ask the lawyer with the committee's help to prepare bylaws consistent with State laws and charter (articles of incorporation) describing the way the cooperative will operate.



Call a meeting of the members on record to approve the bylaws.



Have members at the meeting elect the first board of directors, if not named in the charter.

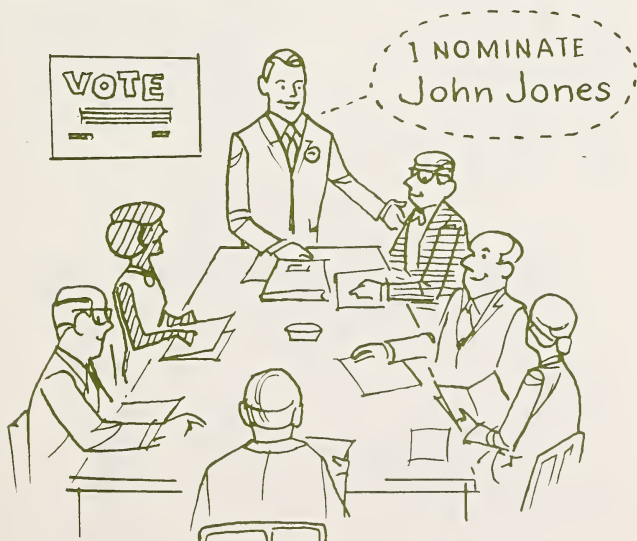


BOARD OF DIRECTORS

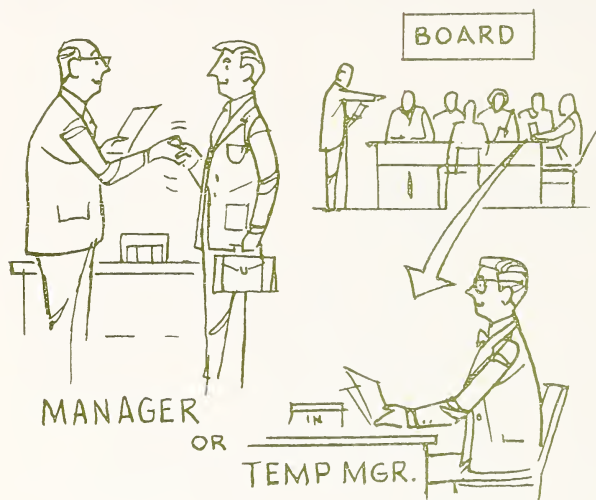
Hold a board of directors meeting at once to get the co-op started.



Elect the first officers from the board of directors -- president, vice president, secretary, and treasurer.



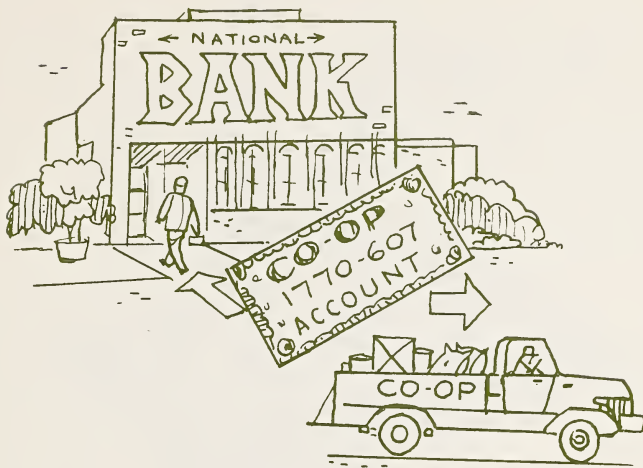
Hire the manager or appoint a member of the board to act as temporary manager.



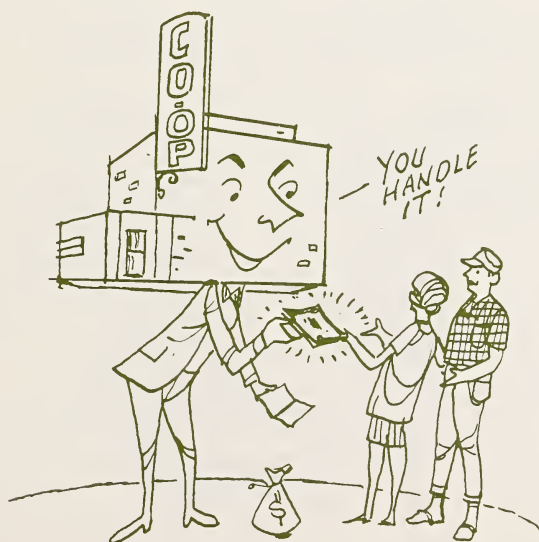
Choose (may rent) location, facilities, and equipment to start doing business.



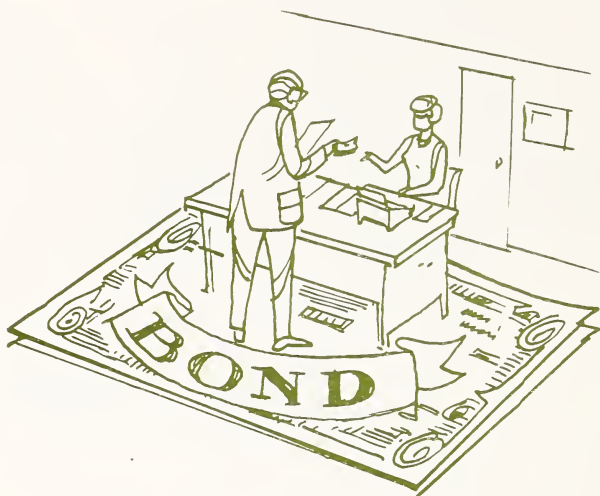
Select a bank. Set up an account for the co-op.



Designate officers or employees to handle the co-op money and write checks.



Get officers and employees handling money bonded.



Account for all members' money collected.



Adopt the membership application form.



Print and distribute to all members copies of articles of incorporation and bylaws.



Buy operating licenses and display them.



Hire an outside auditor to periodically check the co-op's accounting of members' money.



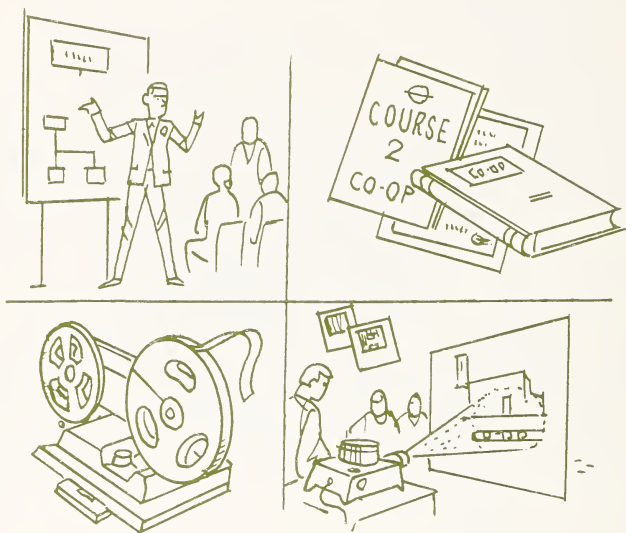
Buy insurance to cover business operations.



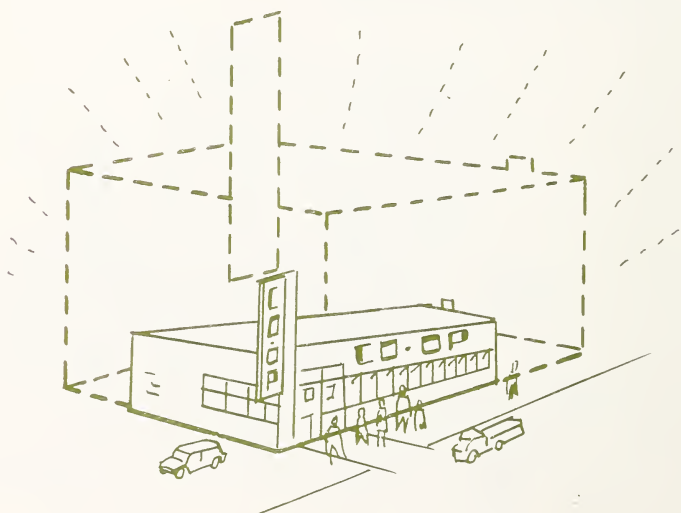
Transact other business, such as approving marketing agreement form if needed.



Plan for training programs or workshops for members and directors.



Start small and expand as business grows.



OTHER PUBLICATIONS

What Are Cooperatives?

Information 67 (Also in Spanish)

Members Make Co-ops Go.

Information 72 (Also in Spanish)

Measuring Co-op Directors.

Information 73 (Also in Spanish)

What Co-op Directors Do.

Information 71 (Also in Spanish)

Manager Holds Important Key to Co-op Success.

Information 74 (Also in Spanish)

Using Co-op Members' Money.

Information 79

Employees Help Co-ops Serve.

Information 83

Guidelines Co-op Employees Need.

Information 93

Bookkeeping Forms Your Co-op Needs.

Information 82

Guides to Co-op Bookkeeping.

Information 89

Farmer Cooperative Publications.

Information 4



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